

[H.A.S.C. No. 112-73]

**IS THE FINANCIAL MANAGEMENT
WORKFORCE POSITIONED TO ACHIEVE
DOD'S FINANCIAL IMPROVEMENT GOALS?**

HEARING

BEFORE THE

PANEL ON DEFENSE FINANCIAL MANAGEMENT
AND AUDITABILITY REFORM

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

HEARING HELD
OCTOBER 6, 2011



U.S. GOVERNMENT PRINTING OFFICE

71-444

WASHINGTON : 2012

PANEL ON DEFENSE FINANCIAL MANAGEMENT
AND AUDITABILITY REFORM

K. MICHAEL CONAWAY, Texas, *Chairman*

SCOTT RIGELL, Virginia

STEVEN PALAZZO, Mississippi

TODD YOUNG, Indiana

ROBERT ANDREWS, New Jersey

JOE COURTNEY, Connecticut

TIM RYAN, Ohio

PAUL FODERARO, *Professional Staff Member*

WILLIAM JOHNSON, *Professional Staff Member*

LAUREN HAUHN, *Research Assistant*

CONTENTS

CHRONOLOGICAL LIST OF HEARINGS

2011

	Page
HEARING:	
Thursday, October 6, 2011, Is the Financial Management Workforce Positioned To Achieve DOD's Financial Improvement Goals?	1
APPENDIX:	
Thursday, October 6, 2011	23

THURSDAY, OCTOBER 6, 2011

IS THE FINANCIAL MANAGEMENT WORKFORCE POSITIONED TO ACHIEVE DOD'S FINANCIAL IMPROVEMENT GOALS?

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

Andrews, Hon. Robert, a Representative from New Jersey, Ranking Member, Panel on Defense Financial Management and Auditability Reform	2
Conaway, Hon. K. Michael, a Representative from Texas, Chairman, Panel on Defense Financial Management and Auditability Reform	1

WITNESSES

Commons, Hon. Gladys J., Assistant Secretary of the Navy (Financial Management and Comptroller), Department of the Navy	6
Gregory, Sandra A., Special Assistant to the Under Secretary of Defense (Comptroller), Office of Financial Workforce Management, U.S. Department of Defense	3
Matiella, Hon. Mary Sally, Assistant Secretary of the Army (Financial Management and Comptroller), Department of the Army	5
Morin, Hon. Jamie M., Assistant Secretary of the Air Force (Financial Management and Comptroller), Department of the Air Force	8

APPENDIX

PREPARED STATEMENTS:

Commons, Hon. Gladys J.	46
Conaway, Hon. K. Michael	27
Gregory, Sandra A.	31
Matiella, Hon. Mary Sally	40
Morin, Hon. Jamie M.	51

DOCUMENTS SUBMITTED FOR THE RECORD:

[There were no Documents submitted.]

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING:

Mr. Andrews	62
Mr. Palazzo	61

QUESTIONS SUBMITTED BY MEMBERS POST HEARING:

[There were no Questions submitted post hearing.]

IS THE FINANCIAL MANAGEMENT WORKFORCE POSITIONED TO ACHIEVE DOD'S FINANCIAL IMPROVEMENT GOALS?

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
PANEL ON DEFENSE FINANCIAL MANAGEMENT AND
AUDITABILITY REFORM,
Washington, DC, Thursday, October 6, 2011.

The panel met, pursuant to call, at 8:00 a.m. in room 2212, Rayburn House Office Building, Hon. K. Michael Conaway (chairman of the panel) presiding.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE FROM TEXAS, CHAIRMAN, PANEL ON DEFENSE FINANCIAL MANAGEMENT AND AUDITABILITY REFORM

Mr. CONAWAY. Welcome, everyone, to our hearing this morning on DOD's [Department of Defense] workforce efforts and management. I would like to welcome everybody to today's hearing, entitled "Is the Financial Management Workforce Positioned To Achieve DOD's Financial Improvement Goals?"

The panel's past hearings have included examining the implementation of financial improvement and audit readiness strategy and methodology, the organizations that play a key role in DOD's ability to improve financial management such as the Defense Finance and Accounting Service, and DOD's payment and funds control process.

One thing that has been readily apparent from these hearings is the importance of a well-qualified, well-trained financial management workforce. For example, at our last hearing the Department of Defense Office of IG [Inspector General] noted that inadequate training was one of the factors that contributed to potential Antideficiency Act violations.

The financial management workforce ranges from accountants to auditors to financial analysts, and is made up of both civilian employees and military personnel. All of these groups are critical to DOD's financial improvement efforts. The financial management workforce needs to effectively perform financial and budgetary accounting, and follow proper internal control procedures as they execute their work. If there are gaps between the competencies required to perform these functions and current capabilities, they should be, and must be, identified and corrective actions taken.

In addition, due to the constrained fiscal environment, it is imperative that the Department of Defense effectively manage its

workforce, including ensuring the right skills mix in order to achieve improved financial management.

I think a workforce with the adequate and appropriate skills is especially important as DOD moves to enterprise resource planning systems. It is essential that the users of these systems understand the capabilities of the systems and receive the proper training on how to use them in performing their day-to-day operations.

One thing is clear. You can develop plans to improve financial management, implement new financial systems, and refine business processes. But without a well-staffed, well-trained and skilled workforce you will not achieve success.

I want to thank our witnesses in advance for their testimony and agreeing to be with us again, three of them. We have today Ms. Sandra Gregory, special assistant to the Under Secretary of Defense, Comptroller, Office of Financial Management; the Honorable Mary Sally Matiella, Assistant Secretary of the Army, Financial Management Comptroller; the Honorable Gladys J. Commons, also Assistant Secretary to the Navy, Financial Management Comptroller; and the Honorable Jamie M. Morin, Assistant Secretary of the Air Force, Financial Management Comptroller.

Welcome all four of you this morning. And now Rob, if you have got some remarks before we turn to the witnesses?

[The prepared statement of Mr. Conaway can be found in the Appendix on page 27.]

STATEMENT OF HON. ROBERT ANDREWS, A REPRESENTATIVE FROM NEW JERSEY, RANKING MEMBER, PANEL ON DEFENSE FINANCIAL MANAGEMENT AND AUDITABILITY REFORM

Mr. ANDREWS. Good morning, Mr. Chairman. Good morning ladies, and gentleman. It is nice to see all of you here this morning, many returnees. That is very brave of you.

[Laughter.]

Chairman McKeon, I think, is performing a significant national service at the full committee level by conducting a very rigorous discussion of the consequences of the fiscal choices in front of the Department of Defense.

It appears that, under any circumstances, we would be looking at reductions in the neighborhood of \$360 billion over 10 years at a minimum, and perhaps reductions of far in excess of that, as many as \$950 billion or a trillion dollars over 10 years.

There are strongly held opinions about whether that is right or wrong. There are strongly held opinions about whether to do that or not. And I think the chairman deserves credit, a lot of credit, for focusing the committee, and the country hopefully, on that discussion.

Our panel's work, which our chairman has done so well, is integral to having an intelligent discussion about those policy choices. You can't decide where to allocate your resources if you don't know where they are going already and where there might be ways to reallocate existing resources to achieve the mission of the organization.

So that the production of financial statements is central to this entire discussion taking place on a rational basis, and our panel

chairman is pretty much solely responsible for putting us in a position where we are going to have those. His work, and the statute that we wrote last year, is the reason why these statements are going to happen by 2017.

Having said that, he and I are both—and other members of the panel are very impatient. We understand 2017 is the outside date. We would like progress well before that. And this morning we are going to talk about the thread that, if it is pulled out of that tapestry, makes the whole thing fall apart.

As the chairman said, we can have all the enterprise management systems—I always get that term wrong, excuse me—yes, we can have all the systems that we want, all the software we want, all the plans that we want. If we don't have the right people, if we can't recruit and retain the right people, this is not going to work. So I am very interested this morning in hearing what the panelists think, not only about recruitment of the best and the brightest but, in some cases more importantly, retention.

A recurring problem throughout the Department of Defense, both in the uniform and non-uniform sector, has been that we do a very good job attracting bright people to come to the uniform service and the civilian service, and then we don't keep them as well as we should.

We invest a lot in their education, their training, their development, and we don't keep them as well as we should. So I am interested in hearing, you know, how we can get the best graduates of the Wharton School, to name one, to come to the Department and stay there so that they can do this kind of work as part of their national mission.

So I am glad to be here this morning. I look forward to hearing from you ladies and gentleman. I thank the chairman for having the hearing.

Mr. CONAWAY. Thank the gentleman for his kind words.

Ms. Gregory, for your opening statement.

STATEMENT OF SANDRA A. GREGORY, SPECIAL ASSISTANT TO THE UNDER SECRETARY OF DEFENSE (COMPTROLLER), OFFICE OF FINANCIAL WORKFORCE MANAGEMENT, U.S. DEPARTMENT OF DEFENSE

Ms. GREGORY. Chairman Conaway, Ranking Member Andrews, members of the panel, thank you for the opportunity to testify today concerning the Department of Defense financial management workforce. I submitted a statement for the record, which I will summarize briefly.

With more than 33 years of DOD financial management experience, I continue to serve with a dedicated, skilled financial workforce that is seriously mindful of its stewardship role. As the functional committee manager for the DOD financial management community, I am responsible for compliance with overarching DOD civilian human capital strategy plan that is lead by the Under Secretary of Defense for personnel and readiness.

Our goal is to make a good workforce better, and to get the right people trained at the right job, for today and for the future. In concert with the Department's human capital plans, we recently took steps to establish a course-based certification program designed to

provide a framework and as a way to promote certain types of education, including a focus on auditability for defense financial managers.

This program will focus on critical areas to include achieving department-wide auditability, sharpening analytics, and increasing overall accountability. The proposed DOD Financial Management Certification Program, will be similar to the program for the Defense Acquisition Workforce.

The House and Senate Armed Services Committees have provided legal authority for the new program in their fiscal year 2012 authorization bills. And as Congress works through the legislative process, we are laying the groundwork now so we will be ready to implement the program once the Authorization Act is finalized.

Our effort is currently focused on five areas. First, to map existing Department of Defense courses to competencies. The DOD Financial Management Certification Program is based on financial management enterprise-wide competencies. The DOD portfolio of financial management training and professional development courses will be aligned to these competencies.

This alignment will aid in building a standard body of DOD financial management knowledge and in elevating shared competencies, with a renewed emphasis in analytics, decision support and audit readiness.

Second, we are focusing on test-based certification. The Department has identified 20 professional test-based certifications for areas such as accounting, auditing, cost and financial management.

Third, we are concerned with the range of experience in our financial management professionals. The certification program will require not only specific DOD financial management experience at different levels, but it will also require experience in different types of assignments.

Fourth, considering that our personnel are scattered throughout DOD and its many locations, we are sensitive to the need for communications and marketing. An aggressive and comprehensive communications and marketing campaign in terms of briefings, Web-based articles, and educational material is crucial to inform and educate the workforce prior and during implementation.

And fifth, we are aware of the need for a certification program support, and oversight will be required at various levels throughout DOD to administer the program. DOD's efforts are focused on deliberate, professional workforce development, ensuring that the financial management community has a broad, enterprise-wide perspective and a standard body of knowledge throughout the Department.

We are focused on making a good DOD financial workforce even better as we march toward that 2017 goal of obtaining a clean audit opinion. In summary, the Department recognizes the importance of maintaining a capable workforce to improve financial management in DOD, and especially with respect to better analysis, audit readiness, and increased accountability for all who are entrusted with the taxpayers' money.

We appreciate the support of both the House and Senate Armed Services Committees, and they have provided needed legal authority in their authorization bills for the Financial Management Cer-

tification Program. And we will work with the House and the Senate on final language for the fiscal year 2012 NDAA [National Defense Authorization Act].

So I appreciate the time you and your distinguished panel have devoted to financial management workforce issues. I look forward to your questions.

And, Mr. Chairman, this concludes my statement.

[The prepared statement of Ms. Gregory can be found in the Appendix on page 31.]

Mr. CONAWAY. Thank you, Ms. Gregory.

Ms. Matiella.

STATEMENT OF HON. MARY SALLY MATIELLA, ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT AND COMPTROLLER), DEPARTMENT OF THE ARMY

Secretary MATIELLA. Chairman Conaway, Representative Andrews, and members of the panel, thank you for the opportunity to testify today regarding the Army's financial management workforce. Secretary McHugh, Chief of Staff Odierno and Under Secretary Westphal, our Chief Management Officer, and all of our senior leaders appreciate the criticality of establishing and retaining a qualified workforce—a workforce which will enable the Army to be audit-ready by September 30, 2017.

The Army employs hardworking soldiers and civilian personnel across all functional areas who are committed to improving our business processes and supporting our warfighters. However, the systems and processes that we are improving require the implementation and execution of different processes and different practices.

By requiring our workforce to adjust to different systems, practices, and controls, my peers and I must fulfill our obligation to train them and to provide sufficient resources to train them successfully. The Army has a well-deserved reputation for training our soldiers as the best warfighters in the world. We are working toward supporting our warfighters with the best financial management workforce in the world.

In fact, the Chief of Staff of the Army and the CMO [Chief Management Officer] of the Army recently initiated an Army-wide workforce capability assessment to obtain a better understanding of the Army's functional capabilities to identify potential workforce redundancies and gaps, and to establish an actionable plan to improve the workforce. We are connecting the outcomes of that workforce review to the deployment of our new business systems, thus creating a more efficient and effective tail that supports the tooth of the Army.

In addition to these critical workforce assessments, we are undergoing annual audit examinations by an independent public accounting firm each year from fiscal year 2011 to 2014. These audit examinations will serve to condition the Army on how to support financial statement audits and to ensure that our audit readiness strategy is sound and remains on schedule.

By repeating this cycle of assessing, testing, identifying deficiencies, and implementing corrective action, we are providing our workforce with hands-on, real-life audit readiness experience and

training. We believe that this experience with audit examinations will supplement our instructor-led training courses on systems, internal controls, and corrective action implementation.

While my office is guiding the Army's audit readiness efforts, it is important to note that establishing and maintaining an auditable business environment depends heavily on business process owners outside of financial management or the comptroller field. Fortunately Secretary McHugh appreciates the fact, and is holding senior executives across all businesses accountable for supporting the Army's audit readiness goals.

I am working with my counterparts in logistics, manpower, and others to ensure that they understand our requirements and provide us appropriate support to meet this shared mission. It is extremely important that our business partners interface auditable data into our accounting system. That is, that their systems, processes, data, and controls also pass audit scrutiny.

I am confident that we will be audit-ready by September 30, 2017, because we have a sound and resource financial improvement plan that relies heavily on providing the appropriate training and resources for the Army soldiers and civilians, and also holds them accountable for enabling an auditable environment.

Secretary McHugh, Chief of Staff Odierno, and Secretary Westphal are all committed, as I am, to improving our financial processes, conducting workforce analysis, and restructuring and training our financial workforce to meet audit standards. Developing the most capable workforce is the right thing to do for the Army, our Federal Government, and the men and women defending our Nation.

I look forward to continued collaboration with the members of the panel, our counterparts in the Senate, GAO [Government Accountability Office], and Secretary Hale to ensure the Army's workforce obtains and retains the appropriate skills, certifications, and experience to meet our stewardship responsibilities.

I look forward to your questions.

[The prepared statement of Secretary Matiella can be found in the Appendix on page 40.]

Mr. CONAWAY. Thank you, ma'am. Ms. Commons.

STATEMENT OF HON. GLADYS J. COMMONS, ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER), DEPARTMENT OF THE NAVY

Secretary COMMONS. Good morning, Chairman Conaway, Congressman Andrews, members of the panel. Thank you for the opportunity to discuss the Department's financial management workforce.

The financial management workforce is a professional and well-trained team of 9,000-plus civilian and military personnel. Today, I specifically focus on personnel classified in the general schedule 500 series—our financial managers, accountants, auditors, financial technicians, and our military financial managers.

Our first responsibility is to the warfighter. We need to effectively obtain the financial resources to meet the warfighters' needs by developing supportable budgets, budget strategies, and justification. We want to ensure that we get the most capability for every

dollar we spend and can accurately account for those expenditures. Achieving auditable financial statements will assure you, the warfighter, and the taxpayers that we take this responsibility seriously.

For many years, we have had a very strong budget formulation and execution team. With the establishment of the Defense Finance and Accounting Service in the 1990s, most of our accounting expertise was transferred to that organization. While we divested the day-to-day accounting operation, we retained fiduciary responsibility.

As we tried to improve financial management and move toward auditability, we recognize that we could no longer afford stovepipe positions or narrow skill sets. To be effective and efficient, our workforce needed a broad level of understanding of the full range of the Department's financial management and fiduciary responsibilities.

In 2006, we took steps to broaden the scope and responsibilities of our professional and technician workforce. As a follow-on, we provided career road maps to guide the education, training, and experience required by our workforce at all levels—entry, journeyman and expert. Today, we provide a range of opportunities from online training courses, classroom training to an Executive Master's of Business Administration taught by the Naval Postgraduate School. We also have a fellowship program allowing full-time attendance at a graduate school or a career-broadening job assignment.

However, we know that we have some skills and knowledge gaps, particularly in the area of audit readiness. To specifically address those gaps, we asked the Naval Postgraduate School to develop an audit readiness course. Starting this year, they will conduct a 3-day course to be taught 10 to 12 times during the year at our major geographic hubs. This will dovetail with the financial improvement and audit readiness short course taught by the office of the secretary of defense comptroller.

Of equal importance is having the right number and mix of people to perform our financial management functions. Two years ago, we took steps to beef up my own financial operation staff to provide better oversight and guidance to our major commands, and to ensure we were taking proper steps and priorities to achieve financial audit readiness.

Currently, I believe the financial management workforce is structured; civilians, military personnel, and contractor is properly sized to achieve our goals. While I have addressed the professionalism and training of our financial management workforce, I recognize that there are many others who influence the ability to achieve auditable financial statements.

As I noted in my last testimony before you, we are reaching out to our general and flag officers, our senior executives, and business process owners so that they understand the roles and responsibilities that they play. We believe this will cascade down throughout the workforce and support the Department's efforts to achieve audit readiness.

Thank you for your interest in our workforce, and I look forward to answering any questions you might have.

[The prepared statement of Secretary Commons can be found in the Appendix on page 46.]

Mr. CONAWAY. Thank you, Ms. Commons.
Dr. Morin.

STATEMENT OF HON. JAMIE M. MORIN, ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER), DEPARTMENT OF THE AIR FORCE

Secretary MORIN. Mr. Chairman, members of the committee, thank you again for an opportunity to testify here and to talk about the Air Force financial management workforce—our enlisted, our officers, our civilians. As the Air Force comptroller, I view it as my responsibility to make sure that the Air Force has the right workforce with the right skills and the right training in order to help our secretary and our chief of staff produce an Air Force that can fly, fight, and win for the Nation. That is our ultimate goal.

At a time when our resources are very tight, it is all the more important that we get the most out of our people. For the Air Force, that means over 8,000 civilians in financial management, over 900 officers, and almost 3,800 enlisted members. Those are our Air Force financial managers, and it is really only through their full contributions that we can get the maximum combat capability out of each dollar that Congress appropriates and entrusts to us. Strengthening that workforce is a vital part of our effort.

I will say while this panel is obviously created to focus on helping the Department of Defense get to audit readiness, as my colleagues have mentioned, not every financial manager in the Air Force is an accountant, not every financial manager in the Air Force is a budget officer, and a clean audit is a means to the end of better management of taxpayer resources. So I think it is important to understand the depth and the breadth of the Air Force financial management workforce.

We cover a wide range of activities. Cost analysts, as I mentioned in previous testimony to this committee, are a key part of the Air Force financial management workforce, as are people doing program control and acquisition programs, as are the budget team, and down to the folks working at a technical level, processing military pay transactions. It is a broad workforce that includes auditors, transaction processors, planners, accountants, a whole range of activities.

The Air Force needs that diversified financial management workforce in order to handle that full range of responsibilities that really extend throughout the life of appropriated funds, from initial development of a budget—a program objective memorandum when our cost analysts have to help us understand what we need in order to carry out our mission in terms of dollars—through to financial systems management and, ultimately, financial reporting.

I also, of course, want to mention that many of these responsibilities have to occur in a deployed environment. Right now, we have over 260 Air Force financial managers deployed into harms way; again, doing a wide range of activities, from taking care of pay and benefits issues for other deployed folks all the way through budget building and cost analysis.

The workforce that we bring to bear on these challenges is quite well-educated and skilled. Over 60 percent of the Air Force financial management workforce holds a degree of some sort, and 2,700 of those folks have master's degrees or above. Now, that includes more than 100 of our enlisted troops who have a master's. It is a well-educated workforce, and it is a workforce that is committed to professional development.

We see a heavy focus on certifications, although there is always room for improvement there. Looking just at my primary headquarters-type audit readiness workforce and those directly associated with them out in the field, that is a workforce of about 80 people. And we have got 12 CPAs [certified public accountants] in that group. We have got 15 certified defense financial managers in that group, eight certified government financial managers in that group.

It is a group that is well credentialed in terms of education, training, and certification. But it is critical that we continue to focus on getting that workforce the appropriate skills, education, and training as we work towards audit readiness. And some of the skills that they need to bring to bear will change as we move to new systems, again as my colleagues have alluded.

Our financial managers are learning how to use, and some of the basic theory behind, the new enterprise resource planning systems. It demands a different set of skills and a different sort of attention to particular details than the prior systems did. There is no question about that. Moving from what is really a bookkeeping system to a true financial system that can produce auditable financial statements requires changes at every level.

And it will require us to more broadly focus our training resources. We cannot identify just a tenth or a quarter of our workforce and lavish training on them. We have got to reach, really, 100 percent because weak links in the chain can break the audit readiness effort.

We have had a particular focus on the pilot users of our Defense Enterprise Accounting Management System, DEAMS, at Scott Air Force Base, where we have had close relationships with the program office and our functional management office to ensure that the line-level users on that system get the training they need, get the focused attention that they need, as they really relearn their jobs. And it is not without challenges, but it has been a productive handholding relationship, with the users teaching the developers and the developers and support teams teaching the users.

We are also working to restructure our enlisted curriculum at our financial management schoolhouse, where we have moved more commercial accounting standards into that training, focusing less on teaching people how to use the legacy systems and more on preparing for the future that they will operate in for most of their careers.

Again, as we move from a traditional focus on manual transaction processing towards more commercial accounting, more cost analysis, more issues like that, we have got to prepare the community. And we are leaning forward, and doing that.

Bottom line, we are keeping our focus on auditability while we also work aggressively, strongly to support the warfighter by pro-

viding that sort of world-class decision support through a well-trained, well-educated financial management workforce.

As I have said before, I very much appreciate the committee's engagement on this issue and in the broader issue of financial management and DOD. It is helping us to be better, and I thank you all for your focus on it.

[The prepared statement of Secretary Morin can be found in the Appendix on page 51.]

Mr. CONAWAY. All right. Thank you very much. Appreciate that.

This is probably the most straightforward area of the entire process that we have been investigating as a panel. Everybody understands a little bit about how this thing should go forward, normally, as opposed to some of the more esoteric things that are going on.

Ms. Matiella, you mentioned—and I think I heard in the others—that your agencies have done, or your teams have done, for lack of a better phrase, an inventory of what you have and try to know where you want to get to.

Ms. Gregory, there are broader areas a lot of the folks out there have. Can you talk to us about how you determine what you have, what kind of skill sets you already have in place? Is it a formal process to evaluate that?

What kind of attrition plan do you have in place for all of that team? Because, you know, if everybody retires at the same time that is not going to work, either. Can you visit with us, each of you, about just how have you decided what you have in place and where you are headed from there?

Ms. Gregory.

Ms. GREGORY. Thank you, Mr. Chairman.

First of all, there are 48,000 civilians and approximately 10,000 military doing financial management across the Department of Defense. And when we assess what we have in conjunction with—I want to step back for a minute—the required Strategic Human Capital Plan that we are working with—because now, for the first time ever, the Department of Defense at the department level has worked with all the Services and components, defense agencies, to come up with enterprise-wide competencies.

So when we issued the first report of the Strategic Human Capital Plan, we did not have enterprise-wide competencies. The Services in some of the large defense agencies had their own separate competencies. So we will use it as a benchmark, now that we have common competencies that we have been working on.

So then we will measure. As part of the Strategic Human Capital Plan, we will be using those competencies to measure and find out what specific gaps we have. So right now we have identified broad gaps, for instance such as analytics and in the area of audit readiness.

And so as we continue to have more specifics we will be able to use those competencies that we have developed at five different levels. We use the OPM [Office of Personnel and Management] methodology of developing five different levels within each competencies. We have over 23 competencies throughout that are applied to all the different occupational series in the 500 financial management civilian series.

So when you say how we look at the workforce, once a quarter, Mr. Hale, the Under Secretary of Defense, looks at specific metrics throughout financial management. And there is a section there on the financial workforce, to include the aging of the workforce, how many years that we have been in the workforce, how close we are to retirement.

And right now, our attrition rate is very low. The Federal average, I believe, is around 8 percent. Ours is under 4 percent, and last year it was even a little bit lower than that. So our retirements are down, our attrition is down. And, of course, the economy is driving a lot of that.

Now having said that, I will talk for one of the large defense agencies, Defense Contract Audit Agency. Because they have been one of the areas that have brought on around 500 new auditors in their specific area. And I just met with some of them at our new Defense Civilian Emerging Leadership program, which you authorized back in fiscal year 2010 NDAA to work also on the leadership aspect of it.

So what is interesting is, I met folks who, just to your earlier point, we are attracting at this point in time. We are attracting accountants and auditors who have graduate degrees from Yale and Columbia. And also I met some from here in George Washington. So those are a small sample size, but we are able to attract that. We will have to continue to work at what tools we have available; that when the economy picks up that they will be tempted, perhaps some of the folks, to leave and go the other way.

We are also very much aware that the younger workforce may not have the same ideals as some of the earlier folks who came in, that they will probably weave back and forth throughout Federal Government and go to the private sector and come back. So we are very much attuned to that. Like I said, we look at the statistics, we look at what tools we have available, and are using them.

Secretary MORIN. Yes, sir. On the Air Force side, I would say that we do have, as do, I think, pretty much all areas of the Federal Government, medium-to long-term concerns about the health of the workforce as we go through a wave of retirements. A very substantial share of the Air Force financial management workforce is at or approaching retirement age, with really about a third in the, you know, age 55-plus category.

That provides us a wealth of experience and it is a tremendous asset but, obviously, people will not remain in the workforce forever. And so we have to keep looking forward. As General Gregory said, the retention right now is very good for a variety of reasons, but we have to look aggressively forward.

I will say one interesting nuance in the workforce that makes a real difference in the Air Force, and probably for the other Services. As you know, several years ago Congress changed the law and allowed dual compensation so that retired military personnel could also collect a Federal civilian salary without an offset.

And since then, there has been a substantial increase in the number of retired military, as well as other prior service military, in our civilian workforce. It is for the Air Force, over 1,500 of our financial management workforce is retired military.

So they may have a lower number of years of Federal service as a civilian, yet a little bit older. There are huge advantages with keeping those people on and taking advantage of the skills they bring. It also means you get maybe fewer years of civilian service out of them, and it requires more transition planning, as well. But we do have those issues in front of us, certainly.

Secretary COMMONS. I believe that our workforce is properly sized and that we have the right people, we have the right skill mix. So I will focus my attention on how we replenish that workforce. And we allow our local commands to hire, basically. But we have two centrally managed programs that we do at my level—the financial management intern program, where we bring college students in that have a 3.5 or better grade point average. We do that recruiting every single year. We go out to universities.

We actively recruit people to come in at the 5/7 [GS-5/7] level, and that has been very effective over the years. We also have an associate program that we centrally manage, where we bring in midlevel employees that have experience either in the private sector. They must have a degree. We try to recruit those with advanced degrees.

So we feel that we are taking action so that if we should have retirements, as has been stated, the economy allows us to retain people right now. But we actively recruit to replace our personnel specifically in those two programs.

Secretary MATIELLA. We are looking forward. The Army is going to have a fully-deployed, compliant accounting system by next year. And so this new system is much more integrated, has a lot more edits involved in it. So because of the edits, because of its integration, because of its complexity and sophistication we are going to need more analysts versus accounting technicians.

Right now there are a substantial amount of accounting technicians and budget technicians that are working in our legacy systems. Looking forward, our recruitment strategy is to get more accountants, more budget analysts, folks who know how to apply analytics to the data.

There is going to be less input required by the system because that is going to be coming in from our feeder systems, and there is going to be more of a requirement to look at anomalies, should they exist. And so looking forward, we are looking at our skill set and the requirement to recruit those college graduates who are able to do the analytics that are going to be required by a new system.

Mr. CONAWAY. Thank you.

Mr. Andrews.

Mr. ANDREWS. Thank you Mr. Chairman. I again thank the witnesses for their preparation.

Ms. Gregory, you talked about the 20 professional test-based certifications for personnel that you are working on.

I note that it was the fiscal year 2002 NDAA that gave the Department the legal authority to pay for and support certification and credential standards. Where are we, in terms of how many of those 20 are ready to be fielded and start giving tests to people?

Ms. GREGORY. Thank you, Mr. Andrews. First of all, since you gave us that authority we have been reimbursing civilians and

military for the exams they take for certifications. The 20 test-based certifications are those that are already out there, like CPA's, certified management accountants, certified defense financial managers, et cetera. And they are also in the cost area, and in audit and finance.

But we last year, for instance, reimbursed about \$700,000 and the year before about \$800,000 for the reimbursements. So the 20 that I mentioned are part of the entire—we are calling it the certification program, similar to the Defense Acquisition Workforce Certification program. There will be levels one, two and three so that getting a test-based certification will be a part of that.

Mr. ANDREWS. Are these tests that the Department is going to generate itself and give to employees, or some outside organization?

Ms. GREGORY. No. All the 20 are all outside organizations. So our certification will have that as a part of it to give it—

Mr. ANDREWS. When we reimburse the employee to prepare for that certification, is there any contractual obligation for the employee to stay for a certain number of years after they pass it?

Ms. GREGORY. I can check, but right now I believe not.

Mr. ANDREWS. Do you think there should be, or should not be?

Ms. GREGORY. It would be dependent on—for instance, a lot of them are getting certifications are staying with us. They are not just taking them and leaving. But we can check into that and see what the percentage is.

[The information referred to can be found in the Appendix on page 62.]

Mr. ANDREWS. I do not have any bias to asking that question. I would like to know your opinion because I do not know what the right answer is.

Ms. GREGORY. For instance—

Mr. ANDREWS. We certainly do not want to create disincentives for people to get the certification and tie them up. But, on the other hand, we do not want somebody to get trained on our dime and leave.

Ms. GREGORY. But, for instance, the certification for Certified Defense Financial Manager, which is a frequent one that they receive, is only \$95.00 a module, or for all three modules is \$285.00 per person. So it is a small dime on that one. Now, if you are getting a CPA it would be more than that.

Mr. ANDREWS. Obviously.

Secretary Commons, you describe this technician that used to process vouchers and now we call him or her a financial technician. What is the difference, in terms of their responsibilities and their compensation? If I were one of these folks previously, what did I do and how much money did I make? And now what do I do and how much money do I make?

Secretary COMMONS. Normally, the focus before would be very specific. For example, you may be a military pay clerk or you may just pull vouchers. Now, what we have said to them is, you need to understand more about the entire process. As to being so narrowly focused so that you only understand military pay and how that functions, you need to understand civilian pay.

You need to understand contract vendor pay, and how that process works. So what we did was to try to broaden their skill level so that we could better use them instead of just——

Mr. ANDREWS. Have them play positions, not just second base or not just right field?

Secretary COMMONS. Yes.

Mr. ANDREWS. Do you make more money if you can play more positions? Do you pay them more?

Secretary COMMONS. Well, experience, and you are able to move up. You are able to move into positions that would pay you more because your skill set is not so narrow that you can only apply for positions in one particular area.

Mr. ANDREWS. Gives you more paths to advance your career than——

Secretary COMMONS. Yes.

Mr. ANDREWS. Secretary Matiella, do you have any estimate on how much the Department of the Army spends a year to train people in the financial field?

Secretary MATIELLA. I cannot give you a figure right now. I will have to get back with you on that.

Mr. ANDREWS. I would be interested, I think the committee would be interested, in seeing that. And then——

Secretary MATIELLA. Right.

Mr. ANDREWS [continuing]. We would like to know whether that figure has gone up or down.

Secretary MATIELLA. Right.

Mr. ANDREWS. And then what metrics you use to measure how effective you think the training has been.

Secretary MATIELLA. Exactly. We do have quite a very large training program. It goes all the way from providing graduate education to providing week-long or hours-long cost training. But I will get that information for you.

[The information referred to can be found in the Appendix on page 62.]

Mr. ANDREWS. We would like to see that——

And then, Secretary Morin, the 40 senior audit personnel that you are using at AFAA [Air Force Audit Agency], how are those people selected? Who picked them, and on what basis?

Secretary MORIN. Yes, sir. Those folks were selected by the auditor general of the Air Force and his staff. We worked closely—Mr. Ted Williams, who is from New York——

Mr. ANDREWS. Speaking of baseball, yes, I was going to say “The Splendid Splinter.”

[Laughter.]

Secretary MORIN. Yes. Unfortunately, Mr. Williams is a Yankees fan.

Mr. ANDREWS. That is unfortunate on a lot of levels, yes, but go ahead.

[Laughter.]

Secretary MORIN. I have to restrain from comment. My wife is also a Yankees fan.

Mr. ANDREWS. There is counseling for people like that.

[Laughter.]

Secretary MORIN. The true challenge is, I am from Detroit.

Mr. ANDREWS. Uh-oh. Oh, you must have a very strained household this week.

Secretary MORIN. Mr. Williams and his staff identified specific folks reporting to him, and also about 80 specific auditors who were working in the field to support that effort. We have a very collegial and collaborative relationship, but you do need to maintain an appropriate level of independence between—

Mr. ANDREWS. This is the final question. My time is up. What skill level do those 40 senior people have that are working at AFAA on the financial statement?

Secretary MORIN. Virtually all of them have graduate degrees and a substantial chunk of them are either CPAs or have other audit certifications. I can get you the precise numbers—

[The information referred to can be found in the Appendix on page 62.]

Mr. ANDREWS. Okay.

Secretary MORIN. But it is a substantial chunk.

Mr. ANDREWS. Thank you very much.

Mr. CONAWAY. Thank you.

Mr. Young, 5 minutes.

Mr. YOUNG. Thank you, Mr. Chairman. Thank you to all of our witnesses for being here this morning.

Ms. Gregory, is your department supplementing its financial management workforce with contractors? If so, can you give me a sense of the extent to which you are doing that, how you make those determinations, and what skill sets you are supplementing the workforce in?

Ms. GREGORY. I will speak primarily for a department-wide view of it. Yes, we do have contractors, and we look at the different skill sets that we need that we are missing. For instance, audit readiness is probably the best example. That we have a large portion of auditors because our organic auditors—I should say accountants, not the auditors, the accountants—on the organic side predominantly have been used to doing budgetary accounting as opposed to proprietary accounting that is now needed to have that skill set.

That is why we had to ramp up and use contractor support from predominantly large accounting firms. Now, throughout, and having been raised in financial management in the Department of Defense for over 30 years, I have worked at every level and I have watched us now, particularly since September 11, 2001, when the defense budget went up dramatically, we did not throughout—and I think we can say this for both Services and the agencies—we did not go up proportionately in the staff within financial management.

So when we had to, for instance, for tracking certain kinds of money that came in, for instance for the global war on terrorism, that oftentimes we did, on the budget side, hire some contractors to do that.

Now with insourcing and the efficiencies, we have taken a look at that—for instance, DFAS, when the insourced Defense Financing and Accounting Service took several hundred contracting positions and converted them into organic positions.

Mr. YOUNG. So it sounds like your long-term plan is to bring a lot of that in-house as you get—

Ms. GREGORY. Well, there is a balance. And so that we are looking at, right now, what is the balance. And I think that we have got it about right. That we will continue to need a lot of contractor support for special projects that we might be working on. Or, for instance, definitely for audit readiness we have to have the contractor support.

Mr. YOUNG. Okay. And for all of our witnesses here if you have an answer to this, are you taking efforts pursuant to the Efficiencies Initiative to actually reduce personnel in various areas? It is something you may have touched on, but if you could discuss that. If so, where are those areas where you are reducing the number of personnel, and what impact is that having on your workforce?

Secretary MATIELLA. With our new systems, the areas that we are reducing personnel are on those personnel that are going to be creating, you know, more transactional-level data; the accounting technicians, the budget technicians. And we are focusing on not growing our workforce.

So we are going to be left with those accountants, those budget analysts that are able to do the analytics. So in the long run, we see that our workforce will be reduced because our systems will be able to do more and we will rely less on people having to input.

Secretary COMMONS. We are not, at this time, planning any reduction in the financial management workforce. Again we do believe our workforce is right-sized at this point in time and that we are moving forward. So I am not anticipating any reductions. However I must tell you, in the current fiscal environment everything is on the table so it does not mean that I will not be subjected to some reduction in the financial management workforce.

What I have done is to ask my major commands to let me know if they are experiencing any significant reduction in the financial management workforce so that we can take the appropriate action.

Mr. YOUNG. Where would you start if you were asked right now? I mean, what would be the first? You have indicated you are right-sized, but where would you begin to cut? Is that something you have contemplated?

Secretary COMMONS. Not really because I think I have the support of senior leaders—

Mr. YOUNG. Okay.

Secretary COMMONS [continuing]. In that we are focused on achieving an auditable financial statement. They support that, they understand that we need to put the resources on to achieve that. And so I am pretty confident that we can maintain the workforce that we have.

Secretary MORIN. Mr. Young, while our core audit readiness workforce is growing and continues to grow, we are moving forward on significant overhead efficiencies across the Air Force. And financial management is by no means exempt from that.

Across the staff that works for me, we have identified already about 78 positions worth of efficiency reductions that we can take, and we are pressing forward to implement those now. Those are, as my colleagues alluded, primarily in transaction processing-type activities, where increased reliance on automated systems is helping us to do those more efficiently.

Mr. YOUNG. Thank you. Our time is up.

Mr. CONAWAY. Steve.

Mr. PALAZZO. Well, good morning. Thank you all for being here.

I have several questions. I am going to kind of jump around a little bit. But my colleague here mentioned, he talked about—or the insourcing for DFAS was brought up. Can you tell me—I meant to ask this question last week, when the DFAS lady was here—how many jobs were actually taken from contract and insourced? And what was the motivation there?

Because typically, insourcing is, to me, frowned upon. I think you know, if there is a business in the private sector that can do it and do it better it should, you know, allow them to deliver it to us. So just some of the methodology behind what took us—if you can answer that, please, Ms. Gregory?

Ms. GREGORY. We can get specifics from the DFAS, but I will just give in general terms. There were several hundred positions that were moved back in the insourcing. But the key thing is, when there was an A-76 requirement to look at this, when we study in anything that we outsource, there was always that required by OMB Circular A-76, as you know. So they did that, and then the dynamics have changed.

So I would be happy to get more in-depth if you would like to have the specifics on DFAS, if you want to know the specific number of people. Because I know Ms. Smith was here last week, and I would prefer not to speak in the specifics of that. But I know they did—it was more cost-effective than not to bring them in.

So again, sometimes cost factors changed or the number of people that they needed changed. So I would like to come back and take that one for the record please.

[The information referred to can be found in the Appendix on page 61.]

Mr. PALAZZO. Okay. That is—anything you can provide my office on that.

Now I guess in general—you know this might be outside the scope, just peaked my curiosity—are there any major insourcing efforts going on, DOD-wide, that you may know of? I remember Secretary Gates saying something about in the middle of the global war on terror that he was going to bring 10,000 people back into the military.

Has that happened in the DOD civilian workforce? Has that happened and, if so, what are the amounts we are looking at?

Ms. GREGORY. I believe the Secretary had mentioned there were 30,000 positions that we were going to insource, and I can get back to you, too, on the specifics of that. I know that effort was lead by an area outside of financial management to keep track of it.

But I know that we also went through the efficiencies drills that we are going through now from last year. So there is a point there that we can get some more specifics on where we are on that 30,000. But again, all the Department is stressed on doing what is most cost-effective to still get the mission done.

[The information referred to can be found in the Appendix on page 61.]

Mr. PALAZZO. Okay. I will not dominate the conversation with insourcing, but do you all have a hiring preference for veterans

within the 48,000 workforce? Can you just—is it a point-based system, or is it just subjective?

We will start over here. Sure.

Secretary MORIN. Yes, sir, we follow the OPM hiring rules, which include veterans' preference and a special preference for disabled veterans.

Mr. PALAZZO. So that is pretty much the same for everybody?

Secretary MORIN. Yes sir.

Mr. PALAZZO. Okay. If you are a CPA or CMA [Certified Management Accountant], and you have gone above and beyond what you need to do, and you are striving to be the best in your field, is there a financial incentive to be a CPA within the civilian workforce, or a CMA or, preferably, a CPA?

Secretary MATIELLA. I used to be a CPA and a civil servant, and the incentive is that you become more promotable. When you are competing with others for more responsible positions, I think that it certainly helps. In terms of getting greater salaries because you are a CPA, no, that is not the case.

Mr. PALAZZO. Okay.

Secretary MATIELLA. Now you might get, because of your good work, large amounts of award money for good performance. But again, that is always tied into actual performance, not to the fact that you have a certification.

Mr. PALAZZO. Okay. You know, in the private sector if you, you know, pass your CPA exam sometimes they will give you a \$1,500 or \$2,500 bonus, just depending on, I guess, the level of the firm. Within the military, there are 10,000 military personnel that is involved in the DOD finance. How much is officer and how much is enlisted? Is it a typical breakdown that y'all know of?

Ms. GREGORY. We can get that for you across the Department. Right now, I just have it at the aggregate level. And that includes Guard and Reserve, also, the 10,000 number. So we will take that for the record and get that for you approximately. I know, by the Services you have it probably have it broken down.

[The information referred to can be found in the Appendix on page 61.]

Secretary MORIN. Yes, ma'am. For the Air Force, I can tell you we have about 900 officers and about 3,800 enlisted.

Mr. PALAZZO. Do you feel like it is a problem attracting or having qualified financial managers in the military side of it?

Ms. GREGORY. You know, having been one for almost 30 years, that in serving with the officers and enlisted on the financial management side, they worked side-by-side, they had the skill sets, they were well-trained. So it was a good melting. And, of course, the civilians then usually offered more stability in terms of like at the installation level in particular. That they would have the long-term knowledge of organizations.

Mr. PALAZZO. Okay. And just to wrap up, it sure would be nice, you know, if you are a CPA in the civilian world and you wanted to become—join the military—you know be treated like a lawyer or a doctor or a chaplain and go from 01 to maybe an 02 or an 03 slot. Just a little incentive there to attract the best and brightest.

Mr. CONAWAY. All right, thanks.

Scott.

Mr. RIGELL. My colleague is a CPA. Good morning, everyone. Thank you for being here. Appreciate what you are doing in service to our country. And I am convinced and impressed and grateful for the level of resolve that I see to accomplish the mission. And I have no question that there is a firm commitment to make sure that we are audit-ready and we achieve those objectives.

I know what a challenge it is, certainly at a smaller organization, to have everyone understand what the objective is and then work toward accomplishing that. And with an organization this large that, literally, is around the world and as complex as the Pentagon, you know, it is a daunting task.

But I do want to ask you, Ms. Gregory—I will direct it to you, and if others are better suited to answer it, you can also help here—but to what extent would—let us say someone who has been with the accounting function here for six months or a year or so be aware of, would understand and embrace, the audit readiness objective in their department and really understand how their department's contribution plays into the larger role?

I certainly know it is a challenge, but I do believe to the extent that people understand where we are headed overall that we are better off. And I will be asking, on our CODELS [Congressional Delegations] going forward—and that is military CODELS are essentially all I am doing, you know—I will be asking mid-level managers, “Are you aware of DOD’s audit readiness goals?”

I am going to push a little bit on that, and I hope to come back and say, “Look, you are doing a great job on this.” Could you comment briefly on that please?

Ms. GREGORY. Thank you, Congressman. First of all, that is the main impetus behind why we are leaning forward on this and getting support from the House and the Senate, which we appreciate. But when the under secretary said let us focus on getting the whole workforce involved in audit readiness and the importance of it. So at level one and level two and level three we will go code every position just like the acquisition workforce. And so we will have the appropriate level.

So, for instance, if you are a soldier coming in, or you are GS-5, then there will be a program. And we are working right now. Matter of fact, our office is physically located with the Deputy CFO’s [Chief Financial Officer] financial improvement audit readiness. So every morning we see 60-some people working on that.

And we are, right now, partnering with them to take the courses that they have on financial improvement audit readiness and put them online. And then we will also, then, continue partnering with them for the appropriate level to have the more difficult awareness of all the audit readiness.

So we are making them aware, putting it as part of the mandatory part of the certification program. So it is one of the main pillars and one of the main focuses.

Mr. RIGELL. And they understand, I hope, how their individual role contributes to the Department, which contributes to this overall. Okay, I am encouraged by that, and hope to come back in several months later on and tell you some good stories about how that played out.

I want to follow up briefly on a theme that I was pursuing at the last hearing. And that relates to the difficulty of establishing a benchmark for an incoming senior executive, whether it is a general or a captain, a colonel, for his or her command, and establishing that benchmark so that they can be accountable, then, 2 or 3 years later.

Secretary Commons, would you please comment on how a senior executive or senior leader—we establish that benchmark so we can know how they did a couple of years later?

Secretary COMMONS. Certainly. As I mentioned at our last hearing, we did include a performance goal in each senior executive's performance for the year. And so that will give us a good base of did you actually accomplish what we asked you to accomplish, or did you not?

For the flag general officers and our commanders, what we did 2 years ago is, we actually wrote a plan for each of our major organizations to say this is your contribution to our financial improvement program. And what I had done was to have it signed by the commander himself, by the commanding officer.

Previously, we had really put it down and had the comptroller sign it. I thought that was not effective enough. So I, in fact said, "I need to have the commanding officers signing this agreement so they understand exactly what they have agreed to do, how they plan to improve the financial management in their own organization."

So that is the way we are trying to get it down to each organization and make everybody accountable.

Mr. RIGELL. Well, you are increasing the accountability. I applaud that. Thank you so much.

I yield back.

Mr. CONAWAY. I thank the gentleman. Anyone else on the panel have a second round? Okay.

A couple of this and that. The CPAs and others have annual continuing professional education requirements and others. Do you reimburse these employees for maintaining their certificates, or their licenses?

Ms. GREGORY. Yes, we do. And also as part of our DOD certification program, although we are encouraging them to have one of those 20 test-based certificates it is also going to be that it is going to be mandatory that they have so many CPEs, Continuing Professional Education credits. And that will be part of the training budget that they will request and receive.

Mr. CONAWAY. All right.

Ms. Matiella, you mentioned some sort of an existing audit program for 2011 through 2014. I could not figure out what you are auditing. What is it that you are—in your testimony, you talked—I thought it had to do with human resources. But what is it that you are auditing each year?

Secretary MATIELLA. Well we are conducting audit examinations at all of the installations that have already implemented GFEBS [General Fund Enterprise Business System] to make sure—

Mr. CONAWAY. Oh, okay.

Secretary MATIELLA [continuing]. That they have implemented our new accounting system correctly, that they are practicing the

right technique and that they are becoming compliant not only in the systems but in their processes. And we believe by having these examinations every single year that it is also a learning experience for the people who are going through the examination.

They are understanding what is required by the auditors. They have a better understanding of what compliant practices are. And so it is not only work for them, but it is also a learning opportunity for them in terms of what is auditability about.

Mr. CONAWAY. Okay, all right. I understand. Thank you very much.

Well, closing comments, Rob?

Mr. ANDREWS. Well I would like to thank the chairman, thank the witnesses. I hear that we are all moving in the same direction, which is good. That there is this level of commitment that Mr. Rigell just talked about throughout the Services to getting these audits done.

I think in this subsection of discussion, though, that I heard another goal articulated today that I hope we all follow up on. Which is that on a permanent basis, a financial management professional is a person held in very high esteem and supported, both in the uniform track in terms of promotion for the uniform personnel, and the civilian track.

That this becomes, you know, one of the career-building things that people want to do. And, you know, that is obviously a challenge because there are so many dramatic and heroic and significant things that people in the Department of Defense do, both uniform and non-uniform. Thank God they do them.

And those are, you know, things that we are very grateful as a country that people do. They cannot do their jobs if you all do not do yours. If the infrastructure is not there to support those who do the most difficult missions the difficult missions become a lot more difficult. So what we are looking for is ways—financially, educationally, in terms of pride and self-respect and self-esteem—that we can elevate these professions within our department.

Obviously, government-bashing is very much in vogue. And I do not mean that as any ideological criticism, it comes with the territory. We all sort of understand that. But the reality, a lot of what people do is really very good. And I think we have to find a way to motivate people who do that good work with compensation, but also with praise and with professional esteem.

And I think each one of you has exemplified that in your own careers, in your own work, and your work here this morning. So we would like to create that kind of environment where young men and women like you decide to go into this field and excel at it. Because the country will be better. So thank you.

Mr. CONAWAY. Thank the gentleman.

One of the things that we hope this panel has put together is an ongoing way to assess that we are on track with this overall goal that everybody wants to get to. And like Scott said, I appreciate and sense the resolve you bring to the table to make this happen.

One of the things that will happen next year. It may not be this group, but one of the things that will happen next year, we hope, is that we will look at those performance evaluations. That we will say, "Okay, here is what happened across the spectrum of those.

Some folks did it really well and some folks didn't. And for those folks who didn't do it well, there are consequences."

"And for those folks who did it well, there are really the appropriate consequences, as well, because we just simply have to make this happen." And I know you agree with me in that regard. But the one of the things it will do is to see how well this system works in terms of keeping the civilian workforce which has it specifically in their performance evaluation plans, as well as the military side who are responsible for making it happen also.

We just simply have to hold each other accountable for doing the good job that must be done. And as we open this hearing this morning, it is all about the people. You cannot make this thing work without good people, well-compensated, proud of the work they do, and knowing that the Nation is proud of them as well.

So, gentlemen, thank you very much and we will adjourn.

[Whereupon, at 9:05 a.m., the panel was adjourned.]

A P P E N D I X

OCTOBER 6, 2011

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

OCTOBER 6, 2011

Opening Statement of Congressman Mike Conaway, Chairman
Hearing of the
Defense Financial Management and Auditability Reform Panel
on
Is the Financial Management Workforce Positioned to Achieve
DOD's Financial Improvement Goals?

October 6, 2011

I'd like to welcome everyone to today's hearing entitled "Is the Financial Management Workforce Positioned to Achieve DOD's Financial Improvement Goals?" The Panel's past hearings have included examining the implementation of the Financial Improvement and Audit Readiness strategy and methodology, the organizations that play a key role in DOD's ability to improve financial management such as the Defense Finance and Accounting Service, and DOD's payment and funds control process. One thing that has been readily apparent from these hearings is the importance of a well-qualified and well-trained financial management workforce. For example, in our last

hearing, the DOD Office of Inspector General noted that inadequate training was one of the factors that contributed to potential Anti-deficiency Act violations.

The financial management workforce ranges from accountants, to auditors, to financial analysts and is made up of both civilian employees and military personnel. All of these groups are critical to DOD's financial improvement efforts. The financial management work force needs to effectively perform financial and budgetary accounting and follow proper internal control procedures as they execute their work. If there are gaps between the competencies required to perform these functions and current capabilities, they must be identified and corrective actions taken. In addition, due to the constrained fiscal environment, it is imperative that DOD effectively manage its workforce, including ensuring the right skills mix, in order to achieve improved financial management.

Having a workforce with the appropriate skills is especially important as DOD moves to Enterprise Resource Planning systems. It is

essential that the users of these systems understand the capabilities of the systems and receive the proper training on how to use them in performing their day-to-day operations.

One thing is clear, you can develop plans to improve financial management, implement new financial systems, and refine business processes, but without a well-staffed, well-trained, and skilled work force, you will not achieve success.

I would like to thank our witnesses in advance for their testimony and agreeing to be with us this morning. We have with us today:

Ms. Sandra A. Gregory

Special Assistant to the Under Secretary of Defense (Comptroller)
Office of Financial Workforce Management
Department of Defense

The Honorable Mary Sally Matiella

Assistant Secretary of the Army (Financial Management and
Comptroller)

The Honorable Gladys J. Commons

Assistant Secretary of the Navy (Financial Management and
Comptroller)

The Honorable Jamie M. Morin

Assistant Secretary of the Air Force (Financial Management and
Comptroller)

31

Statement of
Sandra A. Gregory
Special Assistant
to the Under Secretary of Defense (Comptroller)

before the
House Armed Services Committee
Defense Financial Management and
Auditability Reform Panel

October 6, 2011

Embargoed until released
by the House Armed Services Committee

Chairman Conaway, Ranking Member Andrews, Members of the Panel, thank you for the opportunity to testify today concerning the Department of Defense (DoD) financial management workforce and our ongoing efforts to achieve audit readiness.

Introduction

You have already received testimony on the Department's key goals for defense financial management and issues being pursued to meet those goals. Today we would like to tell you about ongoing efforts with regards to the financial management workforce, as they relate to improvement of financial information, improved analytics, decision support, and achievement of auditable financial statements. It is essentially a matter of getting and retaining the right people with the right skills, in the right jobs, at the right time. As Mr. Hale, the Under Secretary of Defense (Comptroller) stated in his testimony to this panel in July of this year: To be successful, the defense financial management community must achieve three broad goals:

- Acquire the resources necessary to meet national security objectives.
- Ensure the legal, effective, and efficient use of those resources.
- **Maintain a capable financial management workforce.**

This third goal is the focus of our testimony today, to discuss the collaborative effort across the Department to maintain a capable financial management workforce, with an emphasis on how this effort assists the Department in achieving audit readiness.

Where We Are Today

First and foremost, we rely on the support of a dedicated and skilled professional workforce of approximately 60,000 financial managers, both civilian and military, who provide our warfighters with the resources and financial services they need to meet national security objectives. We believe the DoD financial management community is generally meeting the financial needs of our warfighters. They are accomplishing this key goal despite some daunting obstacles -- financing a war, completing the military mission in Iraq, supporting operations in Libya, responding to natural disasters around the globe, and maintaining a military that can meet future national security requirements. All of these challenges are made much more difficult by late appropriations and especially the lengthy continuing resolution that we experienced in FY 2011.

As the functional community manager for the DoD financial management community, my responsibilities include: designing and conducting reviews related to the financial management community; analyzing current and projected mission

requirements; assessing competencies of the community members; and developing and implementing strategies to address identified workforce and competency gaps -- all in compliance with Congress' directed establishment of the DoD Strategic Workforce Plan. That plan is part of the overarching DoD Civilian Strategic Human Capital Plan (CSHCP), which is championed at the Department level by the Under Secretary of Defense (Personnel and Readiness).

As the financial management community continues to participate in the evolution of the DoD, we must optimize our greatest asset – our people. Financial management functions are becoming more streamlined, professional, consolidated, and automated in the transition from transaction-based processors to decision-based information managers. The resulting ability of financial management professionals to serve as valued business advisors and leaders requires a workforce with the right skills at the right jobs at the right time. Currently the financial management community lacks a DoD framework that provides enterprise-wide roadmaps on what training is most important at various points throughout federal careers.

To meet the needs for future generations we know we must implement new work cultures to attract and retain members of the upcoming workforce. In support of workforce needs the Under Secretary of Defense (Comptroller) supported a Fiscal Year (FY) 2010 Challenge Fund to solicit innovative ideas from the workforce. One of the Challenge Fund projects included the first e-catalog of DoD Financial Management Courses in a new website called FM myLearn. Additionally, the Challenge Fund supported a new on-line DoD fiscal law course which will be added to FM myLearn, and our Financial Workforce Management Office launched an FM Online website to provide a one-stop online resource for all DoD financial managers. This move toward more transparency in professional development opportunities is also linked to workforce assessments.

We must conduct research and build plans now to highlight the impacts of recruitment, retention, and professional development, as well as the need for strategic workforce planning. All are complicated by the current civilian pay freeze and limited resources for incentives.

Meaningful workforce planning analysis depends on accurate forecasting of manpower and competency requirements (demand) and assessing the sufficiency of the current and projected workforce against these requirements (supply). The Department has a robust authoritative source for current and historical workforce data in the Defense Civilian Personnel Data System (DCPDS). However, the process and enterprise tools for documenting future manpower requirements, forecasting hiring

needs, and assessing workforce competencies are evolving and pose a challenge to reliable planning.

We know that the defense financial management community maintains many effective financial processes and reasonable financial controls in many key areas, especially with regard to control of appropriations. There are, however, some significant areas where DoD needs to improve, including the need for better and more readily available financial information. The defense financial management community, in concert with the other DoD communities, must take the lead in improving financial information and processes toward achieving audit readiness.

We realize the need to continue to strengthen the professional development of the defense financial workforce. We believe that most defense financial managers are well trained. But the community lacks DoD enterprise-wide roadmaps that guide them throughout their federal careers. To remedy this shortcoming, we are taking steps to establish a course-based certification program for defense financial managers that will provide a framework. This certification program will allow us to focus on critical areas: achieving Department-wide auditability, decreasing Anti-Deficiency Act (ADA) violations, increasing internal controls, sharpening analytics in the context of supporting Enterprise Resource Planning (ERP) systems, shrinking improper payments, and increasing overall accountability. The proposed DoD Financial Management Certification Program will be similar to the program for the defense acquisition workforce.

Legal Authority

Both the House and Senate Armed Services committee have provided needed legal authority in their authorization bills. Section 1061 of the National Defense Authorization Act (NDAA) for FY 2012, Report 112-78 Committee on Armed Services House of Representatives, recognizes the establishment of a financial management certification program for the DoD. The committee concurs with the Department's need to develop capable financial managers who understand the advanced fiscal concepts involved with the management of the United States' scarce monetary resources. The committee notes that this program should help facilitate the Department's ability to achieve audit readiness.

The proposed NDAA language further states that for this new initiative to be successful, and to further the efficiency initiatives within the Department, multiple training development programs will need to be consolidated to effectively train the financial management community, while considering service and agency unique requirements. Incorporating these multiple tracks into a single defense-wide development strategy ensures that the Department can develop the most capable

financial management cadre for fiscal success. This initiative will not only serve the Department's efforts to achieve auditable financial statements, but also to ensure that senior DoD managers have timely, accurate information on which to make business decisions. In support of the FY 2012 NDAA HASC and SASC language, the financial management enterprise-level competencies are being used as the foundational framework for the new DoD Financial Management Certification Program – a program aimed to move the financial management workforce toward more analytic orientation and to ensure the financial management workforce has the knowledge necessary to achieve auditable financial statements. The DoD Financial Management Certification Program is one of the implementing strategies to close the gap between the competencies required by the financial management workforce and current capabilities. Our ongoing effort has five primary areas of focus:

1 - Map Existing DoD Courses to Competencies -

The DoD Financial Management Certification Program is based on the financial management enterprise-wide competencies. The DoD portfolio of financial management training and professional development courses is aligned with these competencies. One of the goals of the DoD Financial Management Certification Program is to build a standard body of DoD financial management knowledge and elevate and standardize competency in analytics, decision support, and audit readiness across the enterprise workforce. It is the Department's intent to support this certification program using existing DoD financial management courses as part of the framework.

2 - Test-Based Certification -

The NDAA for FY 2002 -- Public Law 107-107, enacted Title 5, United States Code, section 5757 -- provided DoD with the authority to pay for and support professional certification and credential standards that are directly related to the mission of the organization. Achieving professional certification has many benefits. Individuals improve their potential for personal upward mobility; organizations enhance their ability to meet their strategic financial management initiatives and objectives; and the DoD benefits by the increased analytic capability of the financial management workforce and its ability to produce auditable financial statements for the Department.

The DoD Financial Management Certification Program places additional emphasis on achieving financial management test-based certifications. The Department has identified 20 professional test-based certifications for financial management personnel and will reimburse personnel, if funding is available, for related expenses to achieve certification. The test-based professional certifications (granted by outside, non-government agencies) include such areas as, accounting, auditing, cost, and financial management.

3 - Range of Experience -

A key component of this new initiative is incorporating diversified professional development experiences at various points in an employee's career. The certification program will require not only specific DoD financial management experience at different levels, but also will require developmental assignment type experience in different financial management disciplines (e.g., an assignment in accounting for someone with a record of budget assignments), or experience in a field related to financial management, such as logistics or contracting.

4 - Communications and Marketing -

The DoD Financial Management Certification Program is a new program and participation is expected to be mandatory for all members of the DoD financial management workforce. An aggressive and comprehensive communications and marketing campaign in terms of briefings, web-based articles, and marketing material is crucial to inform and educate the workforce prior to and during implementation.

5 - Certification Program Support -

Active management support to administer the DoD Financial Management Certification Program includes program control, compliance, review and reporting of metrics. Oversight personnel will be required at the headquarters level for the OUSD(C); Departments of the Army, Navy and Air Force; Defense Finance and Accounting Services (DFAS); and Defense Contract Audit Agency (DCAA). Additionally, governance of the DoD certification program requires a reliable Learning Management System to record and document achievement of certification standards.

Collaborative effort

This initiative and DoD's primary areas of focus were shaped by the collaborative efforts of senior leaders in the Under Secretary of Defense (Comptroller) organization and the Military Departments and Defense Agencies, working closely with the Department's human resources experts in Under Secretary of Defense (Personnel and Readiness) and Congressional staffs. The Deputy Assistant Secretary of Defense (Civilian Personnel Policy) believes that the DoD Financial Management Certification Program fully supports the requirements of the DoD Civilian Strategic Human Capital Plan and provides a firm bedrock for financial management career growth.

What the Future Holds

The Department is waiting on the pending FY 2012 NDAA law; however, in the interim, the Department continues to move forward. First, we are mapping the financial management competencies to one or more of the DoD financial management courses. By the summer of 2012, we will code financial management positions to required

certification levels -- level 1, 2, or 3. The Department will later develop competency assessment tools to assess the proficiency of our current workforce, identify any systemic competency gaps, and develop plans to close those gaps, as required annually by the Department's Civilian Strategic Human Capital Plan. Then by October 2012, the Department will implement a program pilot program with the goal of fully implementing across the financial management workforce by 2013.

All of DoD's efforts are focused on the deliberate professional development of the financial management workforce. Ensuring the financial management community has a broad, enterprise-wide perspective and a standard body of knowledge throughout the Department is key to overall financial management workforce readiness.

Going forward, as in the past, the Department will rely on a collaborative approach to achieving success in the DoD effort to build a clearer framework for training, developing and shaping its financial management workforce. USD(C) will continue to reach out to the Services and Defense Agencies.

DoD and Private Industry Exchange Program

The Department would like to implement a pilot program similar to the Information Technology Exchange Program (ITEP) on-going pilot that is an exchange program between the DoD and the private sector. On October 28, 2009, Sec. 1110 of the NDAA, FY 2010 (Public Law 111-84) authorized a pilot program for the temporary exchange of information technology personnel. That program allows both DoD and private sector information technology employees who work in the field of information technology to participate in a temporary detail to the other sector. Details can range from 3 months to 1 year and may be extended in 3 month increments up to an additional year if all parties agree. The DoD deems that a similar exchange with the Financial Improvement and Audit Readiness Directorate, here at OUSD(C) would reap benefits for the Department towards auditable statements. The benefits of such an arrangement would include the sharing of best practices; both parties would gain a better understanding of each other's practices and challenges; partnering to address common challenges; and enhancement of competencies of personnel. We would like to work with the committee to have language to support a pilot program in the future.

Conclusion

In summary, the Department recognizes the importance of **maintaining a capable financial management workforce** associated with improving financial management in DoD and especially the challenges related to improving information and achieving audit readiness. The Department understands that an emphasis on financial information, improved analytics, decision support, leadership development, and

achievement of auditable financial statements depends on getting the right people with the right skills, in the right jobs at the right time within the financial management community. In support of the FY 2012 NDAA HASC and SASC language, the financial management competencies are being used as the foundational framework for the new DoD financial management certification program – a program aimed to move the financial management workforce toward more analytic orientation and to ensure the financial management community has the knowledge necessary to achieve auditability for the Department. We are thankful to both the House and Senate Armed Services Committees that have already provided needed legal authority in their authorization bills, and we will work with the House and Senate on final language for the FY 2012 NDAA.

Sandra A. Gregory, CDFM



Ms. Gregory is the Special Assistant to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. In this capacity she heads the Office of Financial Workforce Management and leads special studies and directs projects related to financial management to include the Department of Defense's (DoD) leadership role, along with the CFO Council's role, in establishing a Chief Financial Officer (CFO) Academy for the federal government. She was instrumental in standing up the DoD Audit Oversight Committee, Defense Contract Audit Agency Oversight Committee, and worked closely with the Defense Business Board's Defense Contract Audit Agency Independent Review Panel. Her team launched a new CAC-enabled DoD FM Online website: <https://fmonline.ousde.osd.mil>. She helps identify unique financial challenges and proposes solutions and conducts evaluations of DoD- wide issues to support management decision making, to include the Strategic Human

Capital Management Program. She is the Department's Functional Community Manager for the 48,000 civilians and 10,000 military in DoD Financial Management.

Prior to returning to DoD, Ms. Gregory was Vice President for Financial and Cost Management at CALIBRE in Alexandria, Virginia, where she was responsible for a \$10 million business unit.

In her capacity as a military officer, her last assignment was as the Deputy Director of Budget Operations and Personnel, Office of the Assistant Secretary of the Air Force for Financial Management and Comptroller, Washington, D.C. She was responsible for planning, formulating and directing the execution of the Air Force operations and maintenance, and military personnel annual budgets totaling more than \$60 billion for ensuring Air Force readiness. In her 29 years of active duty military service she served in a variety of financial management positions throughout DoD, to include wing, major command, Headquarters U.S. Air Force, and Joint Chiefs of Staff levels. Ms. Gregory also taught at the DoD Professional Military Comptroller School and is a Certified Defense Financial Manager. She retired as a brigadier general in the United States Air Force in November 2006.

Ms. Gregory received her Bachelor's degree in Business Administration from the University of Wisconsin-Superior where she graduated as a distinguished graduate of Air Force ROTC. She has an MBA and a Master's of Science in National Resource Strategy. She also completed MIT's Seminar XXI, Air Command and Staff College, and the Industrial College of the Armed Forces. In May 2008, she was awarded an Honorary Doctorate from the University of Wisconsin – Superior.

She has served on several Boards of Directors, to include the \$8 billion/year (sales) Army and Air Force Exchange Service (Audit Committee Chair); Armed Forces Benefit Association (AFBA) 5-Star Bank (Audit Committee Chair); AFBA's Investment Management Company; the American Society of Military Comptrollers (ASMC) National Board (President and Vice President); the University of Wisconsin – Superior's Foundation; and the Border Credit Union. She currently serves as a Board member for the Air Force Aid Society and is the ASMC Chairperson for the Certified Defense Financial Management (CDFM) Commission.

She resides in Fairfax, Virginia, with her husband, Tom Bradley. They have two sons.

40

Statement of

The Honorable Mary Sally Matiella
Assistant Secretary of the Army for Financial Management and Comptroller

before the

House Committee on Armed Services

Panel on Defense Financial Management
and Auditability Reform

October 6, 2011

Embargoed until released
by the House Armed Services Committee

Congressman Conaway, Congressman Andrews, Members of the Panel, thank you for the opportunity to testify regarding the Army's financial management workforce. Secretary of the Army John McHugh, the Army Chief of Staff Odierno, Under Secretary Dr. Westphal, the Army's Chief Management Officer (CMO), and I are committed to ensuring we have an appropriate number of personnel across all functional areas, including financial management, with the skills and qualifications to improve the Army's financial management efforts and meet our auditability requirements.

The Army employs extremely hard working individuals, both Military and Civilian, committed to supporting the Soldiers defending our Country. The improvements we are implementing will require our dedicated Soldiers and civilians to execute their business differently. In requiring our workforce to adjust to a new operating environment, we must fulfill our obligation of providing them the resources to do so successfully.

I agree with and support Under Secretary of Defense (Comptroller) Hale's recommendation to develop a training and experience-based certification program for our financial managers. This will help the Army build the corporate knowledge needed to meet and sustain an auditable business environment. I look forward to working with Mr. Hale in establishing this program and guiding the more than 13,000 Soldiers and civilians engaged in Army financial management functions through this certification process.

In addition to obtaining appropriate certifications, the financial management work force must focus less on transaction processing and become more proficient in analyzing business events and outcomes to determine the best application of our financial resources. The

analytical ability to transform business data into actionable information requires a comprehensive understanding of the Army's end-to-end business processes. To achieve that understanding, we conducted an initial financial management workforce functional review under the direction of the Vice Chief of Staff of the Army, which is part of a greater Army effort to see ourselves at a detailed level across the Army. This review assessed workforce functional capabilities and identified functional scope, potential redundancies and efficiencies to be gained. We intend to use this information to inform the next review which will be focused on new business processes as the Army's new financial enterprise resource planning systems are more broadly fielded across our commands.

The Army is leveraging enterprise resource planning systems to transform business processes, and the skills of personnel across multiple organizations. For example, the General Fund Enterprise Business System (GFEBS), the Army general fund's primary business system, requires personnel to obtain proficiency in skills not previously required in the legacy operating environment. Many of the more than 70,000 eventual users of GFEBS will not reside in the Army financial management community. The large majority of users operate within the acquisition, logistics, public works, and property management functions. This is a critical point for all our leaders, the largest group of users affecting the Army's financial information and auditability will fall outside of financial or resource management organizations.

At the direction of the Under Secretary of the Army, we have an enterprise wide effort to transform our workforce. Transformation in the Army must include the Civilian workforce that fills the institutional side of the Army. The Army G-1, in coordination with the Assistant Secretary of the Army for Manpower and Reserve Affairs and other Department of the

Army staff elements, developed a comprehensive, integrated plan to address long-standing challenges to the Civilian workforce. One of the outcomes of this effort is the Civilian Workforce Transformation Strategy (CWT).

The Civilian Workforce Transformation Strategy will, when fully implemented, institutionalize human capital resource allocations and result in four major outcomes. Civilian Workforce Transformation will implement an enterprise Civilian requirements generation process; dramatically improve the management architecture of the Civilian workforce; ensure the most effective and efficient use of the multi-sector workforce; and enhance the Army's ability to meet its goals and missions through greater investments in its Civilian employee professional development.

The financial management workforce functional review will support the overall Army Civilian Workforce Transformation Strategy by capturing existing critical skills and competencies in the Army's civilian workforce. It will also identify future critical skills and competencies needed over the next decade, and expose any potential gaps in the existing or future critical skills and competencies needed by the workforce.

In summary, I recognize the importance of having a competent workforce that will enable achieving and sustaining audit readiness within the Army. I also want to reiterate that achieving and sustaining an auditable organization requires competent and trained personnel from across the enterprise; the financial management community alone cannot meet this requirement. Fortunately, Secretary McHugh and Under Secretary Dr. Westphal recognize this reality and are working to ensure all personnel across the Army are capable of and held accountable for supporting audit readiness efforts. We are making great progress because of

the commitment from senior Army leaders and business process owners. I am personally committed to this effort to meet our national security objectives and the mandates of the law. I look forward to working with the members of this Panel, GAO, and Comptroller Hale to ensure the continued improvement of the Army's business environment.

**Assistant Secretary of the Army
(Financial Management & Comptroller)
Office of the Secretariat**



Honorable Mary Sally Matiella

Dr. Mary Sally Matiella, Assistant Secretary of the Army, Financial Management and Comptroller (ASA FM&C), advises the Secretary of the Army and Chief of Staff, on all matters related to Army financial management. She oversees the development, formulation, and implementation of policies, procedures and programs for improving the efficiency and effectiveness of overall resources in the Department of the Army. She is also responsible for the formulation and submission of the Army budget to Congress and the American people.

On November 23, 2009, President Barack H. Obama nominated Dr. Matiella as Assistant Secretary of the Army, Financial Management and Comptroller, and she was confirmed by the U.S. Senate on February 11, 2010. Prior to her appointment, Dr. Matiella served as Assistant Chief Financial Officer for Accounting for the Department of Housing and Urban Development (HUD). She was responsible for the payment of over \$40 billion in annual grants, loans and subsidies, and the consolidation and submission of quarterly and annual financial statements to the Office of Management and Budget (OMB). She ensured HUD was in full compliance with government legislation, Generally Accepted Accounting Principles (GAAP), and other governmental budget and accounting standards. Under her leadership, HUD earned "unqualified" audit opinions each fiscal year and received all "green" ratings from OMB for its accounting practices.

In December 2001, Dr. Matiella entered the Senior Executive Service (SES) and served as the Chief Financial Officer for the USDA Forest Service. She oversaw the formulation and execution of a \$4 billion annual budget, which funded the management of 200 million acres of national forest and grasslands. Under her leadership, the Forest Service received its first ever "clean" audit opinion in FY 2002 and the GAO, April 2003 report, recognized the Forest Service for "Significant Improvement in Financial Reporting."

NOT FOR PUBLICATION UNTIL
RELEASE BY THE HOUSE
ARMED SERVICES COMMITTEE

STATEMENT OF

THE HONORABLE GLADYS J. COMMONS

ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)

BEFORE THE

DEFENSE FINANCIAL MANAGEMENT AND AUDITABILITY
REFORM PANEL

OF THE

HOUSE ARMED SERVICES COMMITTEE

ON

IS THE FINANCIAL MANAGEMENT WORKFORCE POSITIONED
TO ACHIEVE DOD'S FINANCIAL IMPROVEMENT GOALS?

06 OCTOBER 2011

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

Chairman Conaway, Representative Andrews, members of the Panel, thank you for the opportunity to discuss the Department of the Navy's financial management workforce, in general and specifically associated with achieving financial improvement goals. Improving financial and other business processes will lead to financial auditability, one of my highest priorities for which I am personally committed to attaining. One of the key components in achieving the financial improvement goals is our people. I believe that the Department has a highly professional and well trained financial management workforce, a cadre of over 9,000 civilian and military members. These include men and women who are dedicated to building, justifying, and executing budgets, accountants and financial managers who manage the fiduciary aspects of funding entrusted to the Department, as well as our auditors who are our partners on the road to auditability. Financial management functions are performed on a daily basis at bases and stations around the world while at the same time ensuring that our warfighters receive the necessary support to perform their mission.

Maintaining a skilled workforce is certainly key to achieving auditability. The Department has implemented a number of efforts over the last several years to help in this endeavor.

Recognizing that we could no longer have people in stove-piped positions, in 2006 a series alignment was implemented that broadened the scope of a number of our professional and technician positions. Positions that were once solely responsible for budget analysis are now financial management analysts, responsible to understand budget, accounting systems and other financial management aspects. Likewise, technicians that were specialized in military or civilian pay, or voucher or cash processing were reclassified to financial technicians. This effort was a first step in broadening the knowledge base of our workforce. After allowing the alignment effort to solidify, in January 2009 career roadmaps were issued. The roadmaps are by job series

and include technical competencies, leadership and business acumen skills, education and training courses and experience requirements associated with entry, journey and expert positions. These roadmaps are used by supervisors and employees to build Individual Development Plans to ensure continued development of our workforce.

Although these roadmaps are a sound foundation, as with all things, there is always room for improvement. Gaining knowledge on the steps to auditability, spreading the word on the value of standardized processes, and sharing lessons learned have all been significant topics at the Department's annual Financial Improvement Program seminars. Additionally, understanding the value proposition of audit readiness is a business and financial management culture change. To address this aspect the Department has two specific initiatives for FY 2012. First, we asked the Naval Postgraduate School to prepare an audit readiness course that will be taught for the first time at our Navy and Marine Corps geographic hubs. One instructor will travel to the sites, thereby avoiding travel costs of participants and efficiently delivering the training. This effort will then be followed by training that DoD's Financial Improvement and Audit Readiness team will deliver. The second effort will widen the circle of accountability for audit readiness by making goals a part of Senior Executive performance plans. By bringing leadership attention to the financial auditability awareness will be cascaded down to the workforce and increase the momentum. Additionally, as identified in a Secretary of the Navy instruction, all budget submitting office comptrollers are officially assigned additional duty to my position. As such, I have access to these professionals to ensure the Department's goals are clearly understood.

While continuing to pursue opportunities to educate and train the workforce, it is just as important to ensure that the financial management community is properly sized to perform all of our missions. The capitalization of most of our accounting and finance workforce in 1991 under

the Defense Finance and Accounting Service (DFAS) eroded some of the Department of the Navy's expertise. While we retained fiduciary responsibility, DFAS provides the vast majority of our accounting support. We must work in tandem to achieve auditability. We have defined responsibilities and timelines and are working very closely with the DFAS staff. For over ten years now we have been relying on the expertise of contractor support to help us perform certain functions. Although the contractors are valued partners, to be successful in our endeavors, we need to have some of these functions performed by government employees. As such, we have reversed some of the dependence on contractor support for key oversight functions by insourcing those positions. At this time, I believe that between our civilians, military and contractor support we are properly sized. I will be watching closely the effects of future budget cuts on our financial workforce and am implementing procedures for our commands to notify me if significant adjustments are proposed.

Just as I am committed to achieving audit readiness, so too is the Department's leadership. I continuously communicate with the senior leaders of the Department's financial management workforce, asking for their assessment of gaps and areas that can be improved. One future improvement will be the financial management certification program being developed by DoD. It has been shared with our senior leaders and will only serve to further strengthen and professionalize the community. I look forward to working with the members of the Panel and others in continuing the effort to ensure our workforce is postured for the future. I will be pleased to answer any questions you might have.

**Assistant Secretary of the Navy
(Financial Management & Comptroller)**



The Honorable Gladys J. Commons

Mrs. Gladys J. Commons was sworn-in as the Assistant Secretary of the Navy (Financial Management and Comptroller) on Nov. 3, 2009. She started her federal service career in July 1969 with the Social Security Administration as a Claims Representative. In 1971, she joined the Comptroller staff at the Office of Naval Research as a Budget Analyst. In 1977, she was selected as Lead Budget Analyst for the Operations Program/Budget Division in the newly formed Naval Data Automation Command, Washington, D.C. In 1980, Commons became the Supervisory Budget Analyst and Branch Head of the Budget and Operations Branch at the Naval Facilities Engineering Command (NAVFAC). In 1983, she became the Budget Officer and Head of the Materiel Program and Budget Branch, Materiel Division, Installation and Logistics Department, Headquarters Marine Corps. In 1986-87 she attended the Industrial College of the Armed Forces, Fort McNair, Washington, D.C. Also in 1987, Commons became the Comptroller of the Marine Corps Research, Development and Acquisition Command – currently the Marine Corps Systems Command. She was promoted to the Senior Executive Service in August 1991.

Commons served as the Principal Deputy Assistant Secretary of the Navy for Financial Management and Comptroller from February 1994 to September 2002 and served as Acting Assistant Secretary of the Navy for Financial Management and Comptroller from March to October 1998. She served as Comptroller of the Military Sealift Command from October 2002 until her retirement from federal service in March 2004.

Commons has received numerous awards during her federal service, including various Outstanding and Sustained Superior Performance Awards, the Department of the Navy Distinguished Civilian Service Award, the Department of Defense Meritorious Civilian Service Award, and the Presidential Rank Award of Meritorious Executive.

Commons graduated from Fayetteville State University with a Bachelor's degree in Education and holds a Master of Public Financial Management degree from the American University.

51

Statement of

The Honorable Jamie M. Morin
Assistant Secretary of the Air Force (Financial Management & Comptroller)

before the

House Committee on Armed Services

Panel on Defense Financial Management
and Auditability Reform

October 6, 2011

Embargoed until released
by the House Armed Services Committee

Chairman Conaway, Congressman Andrews and Members of the Panel, thank you for the invitation to testify today about the Air Force financial management workforce – officers, enlisted, and civilians. As the Assistant Secretary for Financial Management, it's ultimately my job to make sure that the Air Force has the right people with the right financial skills to help the Secretary and Chief of Staff build and maintain a force that can *Fly, Fight, and Win*. At a time when resources are tight, it is all the more important that we get the most out of those talented people – over 8,200 civilians, over 900 officers, and almost 3,800 enlisted members who are Air Force financial managers. Only through their full contributions can we get the maximum combat capability out of every taxpayer dollar entrusted to us. Strengthening our workforce is a vital part of that effort.

While this panel was created to focus on helping the Department of Defense achieve audit readiness, a clean audit is a means to the broader end of efficient and effective management of taxpayer dollars, so it's important to understand the depth and breadth of Air Force financial management activities and how they work together to advance this goal. Not every financial manager in the Air Force is an accountant or a budget officer. Cost analysts and many acquisition program control officers are included as part of the financial management workforce, as are auditors and many others.

Our responsibilities begin during the development of the Program Objective Memorandum, where financial managers are responsible for ensuring we have good cost estimates for major weapon systems and programs. The Air Force has increased

the percentage of assessments performed on our investment accounts by fifty percent in the last three years due to investments to our cost estimating workforce. These assessments help senior leaders make informed decisions on how to allocate scarce investment dollars. Our cost analyst workforce is one of the best educated parts of the FM community (about two-thirds hold masters degrees), and they comply with robust training standards and certifications under the Defense Acquisition Workforce Improvement Act.

Moving through the budget process, our core budget staff formulate, execute and reconcile all appropriated funds each year. They enforce financial policy and advise commanders on how to maximize every available resource. Budget analysts in the field have the training, skills, and resources to provide thorough decision support analysis to senior leadership. Applying proper fiscal law and funds control, budget analysts track funding from beginning to end each fiscal year, ensuring taxpayer dollars are spent properly. Our budget analysts know the details of the budget and accounting systems and make sure those systems accurately represent where each dollar is spent. Their efforts ultimately provide commanders at all levels within the Air Force the information they need for sound decision making.

Air Force financial managers also provide a range of services that directly support Airmen, many of which are also central to audit readiness. Our technicians at the Air Force Financial Services Center handle over 41,000 travel vouchers monthly, ensuring accurate and timely reimbursements to our Airmen. Accounting and finance professionals at the Air Force Accounting and Finance Office ensure policies issued to

base level comptrollers balance efficiency and control and are consistent with DoD, Treasury Department and Office of Management and Budget guidance. Financial managers also manage the financial systems that support day-to-day operations, ensuring they comply with the DoD enterprise architecture and other related requirements such as the Federal Information Systems Controls Audit Manual, DoD Information Assurance Certification and Accreditation Process, and the Standard Financial Information Structure. We also prepare the quarterly and annual financial statements, manage the Internal Control Program, and serve as the Air Force liaison to outside audit agencies.

Our financial management workforce has and will continue to rely upon the support and collaboration of the members of the Air Force Audit Agency (AFAA) to achieve auditability. Specifically, AFAA has dedicated approximately 40 senior audit management personnel to support the audit readiness effort. An additional 80 field level auditors employed to execute Air Force-wide audits of financial management controls, to assess systems and financial statement items. These individuals provide the professional auditor viewpoint to our financial improvement efforts and are critical members of our team and efforts to achieve overall success in obtaining auditable financial statements by 2017. All of the AFAA personnel hold at least a Bachelors degree, with the senior members having advanced degrees in accounting. The majority possess professional certifications like the CPA and CIA designations.

Our intensified focus on auditability is also reflected in changes in what we teach and how we teach our workforce. Financial managers are learning about new

Enterprise Resource Planning systems, what they are designed to do and how to work within them. Moving from primarily a bookkeeping system to a financial system that can produce auditable financial statements is a major culture change for much of our workforce. For pilot users of the Defense Enterprise Accounting Management System (DEAMS) at Scott AFB, the program office provides on-site support and training classes. We are working to get ahead of the Enterprise Resource Planning deployments and retooling the workforce. For example, just this year we changed 40 percent of enlisted schoolhouse curriculum, shifting emphasis from traditional manual transaction processing to commercial accounting and cost fundamentals, preparing our community for future responsibilities and expectations. I appreciate the leadership of Chief Master Sergeant Jesse Stirling and his team in pushing this effort.

Audit readiness also depends on many outside of the traditional FM areas of responsibility. Military and civilian payroll are driven by actions handled by Air Force personnel specialists. Similarly, our acquisition workforce obligates funds for new weapon systems and service contracts and logisticians manage assets for use throughout the world. Our FM team is working with leaders in these and other areas to make audit readiness a priority.

Every Air Force financial manager – officer, enlisted, civilian – is a valuable resource. As the functional authority, I am responsible for ensuring that our entire financial management workforce has the appropriate educational and training resources to succeed in providing decision support to commanders at all levels. The FM workforce is already a well educated workforce. Over sixty percent of Air Force

financial managers hold a degree of some sort. Additionally, our primary audit readiness workforce of almost 80 includes 12 CPAs, 15 Certified Defense Financial Managers, and 8 Certified Government Financial Managers. Even with a well-educated force, we can never be satisfied that it's enough. It is critical that we focus on getting our workforce the appropriate education and training as we work towards audit readiness.

Starting with initial entry into the Air Force, all financial managers, officers, enlisted and civilian, get some structured, competency based technical financial management training. This is followed by a wide range of professional training, from computer-based courses to possible attendance at our joint comptroller school. We offer tuition assistance for our members to help pay for relevant college courses, often leading to earning a Bachelor's or Master's degree. In addition, many of our financial managers work to develop their leadership and managerial competencies, and we offer opportunities to take courses both in residence and by computer-based training.

Earlier this year, my office published the fourth edition of the FM Force Development Primer. This primer is a key source for all FM Airmen to find the right mix of career development, training opportunities, and experience needed for future FM missions. The primer provides a focus for all financial managers to build and follow their individual development plans. We actively manage our workforce so they can perform at their highest potential. Our senior career civilian and senior officer co-chair the Financial Management Development Team, which meets three times a year to vector top performing civilians, officers, and enlisted Airmen for leadership assignments

and other key positions. Our Major Command comptrollers and joint partners are part of this team, so we can reach every Air Force financial manager world-wide.

As we work to strengthen our FM workforce, we must remain focused on supporting the warfighter. Today, almost 260 Air Force financial managers are deployed throughout the world, including several civilians. They are performing a myriad of resource contingency operations management functions, including budgeting and disbursing. Fully trained financial management Airmen serve side-by-side with Soldiers, Sailors, and Marines in Iraq and Afghanistan, and other locations around the world. Before any deployment, Airmen receive full-spectrum contingency comptroller training, running the gamut from initial disaster relief response to enduring, sustained operations, through exit procedures, once a mission is complete. Financial managers also respond to emergency situations, including providing resources for relief supplies and transportation for military families after the earthquake and tsunami in Japan.

The Air Force's financial management workforce is leading the way as we continue to work towards audit readiness. We keep our focus on auditability while supporting the warfighter by providing world-class decision support with the best trained financial management workforce.

**Assistant Secretary of the Air Force
(Financial Management and Comptroller)**



Dr. Jamie M. Morin

Dr. Jamie M. Morin is the Assistant Secretary of the Air Force for Financial Management and Comptroller, Washington, D.C. He serves as the Air Force's Chief Financial Officer and principal adviser to the Secretary of the Air Force on all financial matters. He is principally responsible for exercising the comptroller and financial management functions of the Air Force, which include preparation of the Air Force budget, directing cost and economic analysis programs and oversight of accounting and finance operations, systems and reporting. In this role, he oversees the financial management team responsible for providing financial management necessary for the effective and efficient use of Air Force resources, to include more than 680,000 military and civilian personnel and a budget of more than \$119 billion.

From 2003 until his current appointment, Dr. Morin was a member of the professional staff of the U.S. Senate Committee on the Budget. In this capacity, he served as the committee's lead analyst for the defense, intelligence, and foreign affairs budgets, responsible for drafting the relevant sections of the congressional budget resolution and advising the Senate on enforcement of budget rules. Additionally, he advised the Chairman of the Budget Committee on the full range of national security issues.

Earlier in his career, Dr. Morin served in the Office of the Secretary of Defense and as an economic development strategist with the firm J.E. Austin Associates, where he worked on projects for the U.S. Agency for International Development. Dr. Morin's academic research focused on U.S. national security policy, particularly the role of Congress in defense budgeting and policy making. He held in-residence fellowships at the University of Virginia's Miller Center for Public Affairs and at the Center for Strategic and Budgetary Assessments, where he conducted research for the Pentagon's Office of Net Assessment. He also served as a policy adviser on President Obama's defense transition team. He was confirmed as the 21st Assistant Secretary of the Air Force for Financial Management and Comptroller on June 19, 2009.

**WITNESS RESPONSES TO QUESTIONS ASKED DURING
THE HEARING**

OCTOBER 6, 2011

RESPONSES TO QUESTIONS SUBMITTED BY MR. PALAZZO

Ms. GREGORY. From April 2009, when Secretary Gates announced an initiative to rebalance the Department's workforce and reduce reliance on contracted services, through October 2011, the Defense Finance and Accounting Services (DFAS) has formally converted a total of 668 positions previously performed by contractors to Government positions. The majority, 606 positions, represent the Retired & Annuitant (R&A) Pay function that was converted on February 1, 2010.

The motivation to insource was compliance with Section 324 and Section 807 of the NDAA for Fiscal Year 2008, Public Law 110-181, January 28, 2008. Section 324 required the Department to create guidelines and procedures to ensure that consideration is given to using DOD civilians to perform new functions or functions that are performed by contractors. Section 807 required the Department to create an inventory of service contracts for reporting purposes. Insourcing is also a valuable means to achieve cost savings.

DFAS used the Agency Section 807 service contract inventory as a baseline to identify insourcing opportunities from the pool of existing service contracts. For each contract selected, we then executed a business case analysis which primarily compared the cost of contractor performance with the cost of Government performance. This cost analysis was performed in compliance with Department policy and instruction. We also examined additional relevant items such as mission impact, customer service, and the ability to recruit and sustain Government workforce for certain skill sets. Cognizant senior leaders then made fact-based, best value business decisions on insourcing each contract.

DFAS has used insourcing to get a full picture of its total workforce (General Schedule and Contractor) and make sure we are achieving the right overall manpower mix that will allow DFAS to manage costs more responsibly for the Department and the warfighter. [See page 17.]

Ms. GREGORY. In April 2009, Secretary Gates announced an initiative to rebalance the Department's workforce and reduce reliance on contracted services. As part of this insourcing initiative, the Department planned on establishing more than 30,000 new civilian positions by FY 2015, including 10,000 specifically in support of the acquisition workforce. In FY 2010, the Department established nearly 17,000 new civilian positions as a result of insourcing contracted services, of which approximately 1,100 were in the financial management workforce. Through the third quarter of FY 2011, an additional 5,300 civilian positions have been established as a result of insourcing contracted services, including more than 200 in the financial management workforce.

Insourcing has been, and continues to be, a very effective tool used by the Department to rebalance the workforce, realign inherently governmental and other critical work to Government performance (from contract support), and in many instances to generate resource efficiencies. While the Department, as part of its Efficiency Initiative, has been asked to hold to FY 2010 civilian funding levels, with some exceptions, for the next three years, we remain committed to meeting statutory obligations to annually review contracted services, identifying those that are inappropriately being performed by the private sector and should be insourced to Government performance. These include services that are inherently governmental or closely associated with inherently governmental in nature; may otherwise be exempted from private sector performance (to mitigate risk, ensure continuity of operations, build internal capability, meet and maintain readiness requirements, etc); or can be more cost effectively delivered by the Government. Those contracted services that meet the necessary criteria (consistent with governing statutes, policies, and regulations) will be insourced by absorbing work into existing Government positions by refining duties or requirements; establishing new positions to perform contracted services by eliminating or shifting equivalent existing manpower resources (personnel) from lower priority activities; or on a case-by-case basis, requesting an exception to the civilian funding levels. [See page 17.]

Ms. GREGORY. The breakout of Active Duty officer and enlisted in financial management positions is, 1,912 for officers and 6,164 for enlisted for a total of 8,076. Specific information on the Reserve components is not readily available. The total

approximate number of Reserves in financial management positions is 2,000. The ratio of officer and enlisted in the Reserves should be similar to the Active Duty. [See page 18.]

RESPONSES TO QUESTIONS SUBMITTED BY MR. ANDREWS

Ms. GREGORY. According to the Department of Defense (DOD) Civilian Personnel Management System: Training, Education, and Professional Development (Number 1400.25, Vol 410) regulation states a Continuing Service Agreement (CSA) is required for training that exceeds 80 hours, at a minimum. DOD Components may establish lower minimums as appropriate. A CSA must include provisions for an employee to reimburse the DOD Component for training costs, except pay or other compensation, if the employee voluntarily or involuntarily separates from service in the Federal Government before completing the agreed period of service.

The Authorization, Agreement and Certification of Training form states that if an employee voluntarily leaves the agency before completing the period of service agreed to, he/she will reimburse the agency for fees, such as the tuition and related fees, travel, and other special expenses (excluding salary) paid in connection with training. [See page 13.]

Secretary MATIELLA. Army civilian financial management training and professional development were executed through colleges and universities at \$3.3 million in fiscal year 2009, \$3.9 million in fiscal year 2010, and \$3.6 million fiscal year 2011. For active Army military personnel, we spent \$3.3 million in fiscal year 2010 and remained steady at \$3.3 million in fiscal year 2011.

Our Army learning institutions and universities routinely use evaluations, performance test and course critiques to improve how they train and educate Soldiers and Army Civilians. We use the feedback from their measuring tools to develop and implement relevant training and education to meet the students' competency needs. [See page 14.]

Secretary MORIN. The AFAA staff working on financial statement audit support are extremely experienced. There are 41 people in AFAA working on the financial statement. Most are at the grade of GS-13. In terms of education, 13 have BS Degrees and 27 have Masters Degrees. Of that total, 59% (24 people) have relevant certifications like Certified Internal Auditor (CIA), Certified Defense Financial Manager (CDFM), and Certified Public Accountant (CPA). The average number of years of financial management and audit experience is 20. In addition to the post secondary education and extensive financial management and audit experience, each auditor is required to hone their professional skills with a total of 80 Continuing Professional Education (CPE) hours over a two-year period. [See page 15.]